



IRA A. JACKSON
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
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June 5, 1985

You retired from employment with the Corporation on July 31, 1983, after over 33 years of service. Approximately one half of that time was spent working in the United States and the remaining time was spent working abroad. During your years with the Corporation, you neither resided nor worked in Massachusetts. On August 12, 1983, you moved to , Massachusetts and began working for a new company.

As part of your acceptance of early retirement from the Corporation, you have been given a severance allowance for your many years of service to your employer. You inquire whether this income is subject to Massachusetts income taxation.

A resident of Massachusetts who receives in any year gross income in excess of \$2,000 must file a Massachusetts income tax return. G.L. c. 62C, § 6(a). Massachusetts gross income is federal gross income as defined under the Internal Revenue Code with certain modifications not relevant here. G.L. c. 62, § 2(a). Federal gross income means all income from whatever source derived; it includes compensation for services, termination or severance pay, pensions, and retirement allowances. I.R.C. § 61(a); see also U.S. Treas. Reg. § 1.61-2(a). Massachusetts law provides certain deductions and exemptions in the determination of Massachusetts taxable income, but there is no such deduction or exemption applicable to severance pay. G.L. c. 62, §§ 2, 3.

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As a resident of Massachusetts, you must report income in the taxable year in which you receive the income. Since you received the payment of a severance allowance in 1983, the payment is income to you in 1983. See Letter Ruling 84-106.

The severance allowance which you received while you were a Massachusetts resident is includable in your Massachusetts taxable income. This is so even though this income relates to your service to the Corporation during a period in which you neither resided nor were employed in Massachusetts. A state may tax income earned elsewhere by its residents because the residents are supplied many services by their state of residence, and they should contribute to the support of the state of residence, no matter where their income is earned. State Tax Commissioner v. Wheatland, 343 Mass. 650, 652(1962); see also Ingraham v. State Tax Commission, 368 Mass. 242, 248(1975)(the federal Constitution does not prevent a state from taxing a resident's income from property outside the state).

Residents are subject to Massachusetts taxation on their taxable income, but if a taxpayer's total income for the taxable year is \$3,600 or less if single, or \$6,100 or less if married and filing a joint return, then such taxpayer is not required to pay any Massachusetts income taxes. G.L. c. 62, §§ 4, 5.

Very truly yours,



Commissioner of Revenue

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